

University of North Carolina Wilmington

# FINANCIAL REPORT

2004-2005





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# A Letter of Transmittal

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To: Chancellor Rosemary DePaolo and the  
Board of Trustees of the University of North Carolina Wilmington

I am pleased to submit the 2005 Financial Report for the University of North Carolina Wilmington. The report contains the Statement of Net Assets; the Statement of Revenues, Expenditures and Changes in Net Assets; and the Statement of Cash Flows. The supplemental information includes the footnotes and the management discussion and analysis. Each one of these statements is explained in further detail in the management discussion and analysis.

During the year, there were several changes in the upper level management of the University. Mr. Stephen Demski assumed the vice chancellor position for the Division of Public Service and Continuing Studies. Dr. Jo Ann Seiple retired as dean of the College of Arts and Sciences with Dr. P. Nelson Reid named as interim dean. Mr. Michael Capaccio was named interim athletic director. Dr. Paul Hosier was named the permanent provost.

This year, the University saw the completion of the renovation and addition to Westside Hall, the completion of the Computer Technology Center addition to Hoggard Hall, the completion of the renovation of Kenan House, and completion of the new construction of the Sports Medicine building. The University is proceeding with the renovation of Hoggard Hall, the new construction of the University Union, the new construction of the Computer and Information Systems building, the new construction of the Cultural Arts building, and the Seahawk Village apartments. The construction and renovations were supported from the state bond referendum approved in 2000, student fees, and gifts.

The University continues the implementation process for installing the new administrative system, Sungard SCT Banner. Banner Advancement went live in September 2004 with Banner Finance following in July 2005. Banner Student will go live in August 2006 and Banner Human Resources projected to go live July 2006. This process will modernize the total administrative systems on campus.

Sincerely,



Ronald J. Core  
Vice Chancellor of Business Affairs

# Management Discussion and Analysis

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## Financial Analysis

The University of North Carolina Wilmington provides the following management's discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ending June 30, 2005. The preceding transmittal letter and the following financial statements and footnotes comprise our complete set of financial information. The MD&A identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the previous year is presented to help better understand the financial information.

## Using the Financial Statements

The University's financial report includes three basic comprehensive financial statements that depict the financial activity and fiscal condition of the university for the current year: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles. During 2002, the University adopted GASB Statement No. 35, *Basic Financial Statements - Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. These GASB statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the university as a whole, with resources classified for accounting and reporting purposes in four net asset categories. Previous financial reporting requirements focused on the accountability of individual fund groups rather than on the University as a single unified entity. Our current statements present financial information in a form similar to that used by corporations. The accrual basis of accounting has been used to prepare the statements. This method of accounting requires that revenues and assets are recognized when the service is provided. Expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged.

The Statement of Net Assets includes all University assets and liabilities. The University's net assets (the monetary difference between total assets and total liabilities) are one indicator of the University's financial viability. Over time, changes in net assets provide information on the improvement or erosion of the University's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the fiscal year. Financial activities are reported as either operating or non-operating. GASB Statement No. 35 classifies state appropriations and gifts as non-operating revenues. With state appropriations and gifts being classified as non-operating revenues, most public institutions will report an operating deficit. In the past, state appropriations and gifts were included as normal operating revenues, and contributed to operation expenditures, which generally resulted in a net positive number for operating income.

Another important factor to consider when evaluating the financial viability of the University is the ability to meet financial obligations as they mature. The Statement of Cash Flows presents information that allows the reader to evaluate the University's ability to meet its financial obligations on a current basis.

## Financial Highlights

The State's continuing revenue shortfall caused the University to lose \$1.7 million in permanent and one-time funds. Of this the University endured permanent reductions of \$858 thousand, a \$373 thousand one-time reduction to building reserve operations, and \$473 thousand in one-time funds transferred to the Hurricane Relief account. The continuing reductions resulted in a decrease to the regular term instruction budget of \$300 thousand, including reductions to student computer labs, classroom technology, faculty professional development and partnership teaching initiatives.

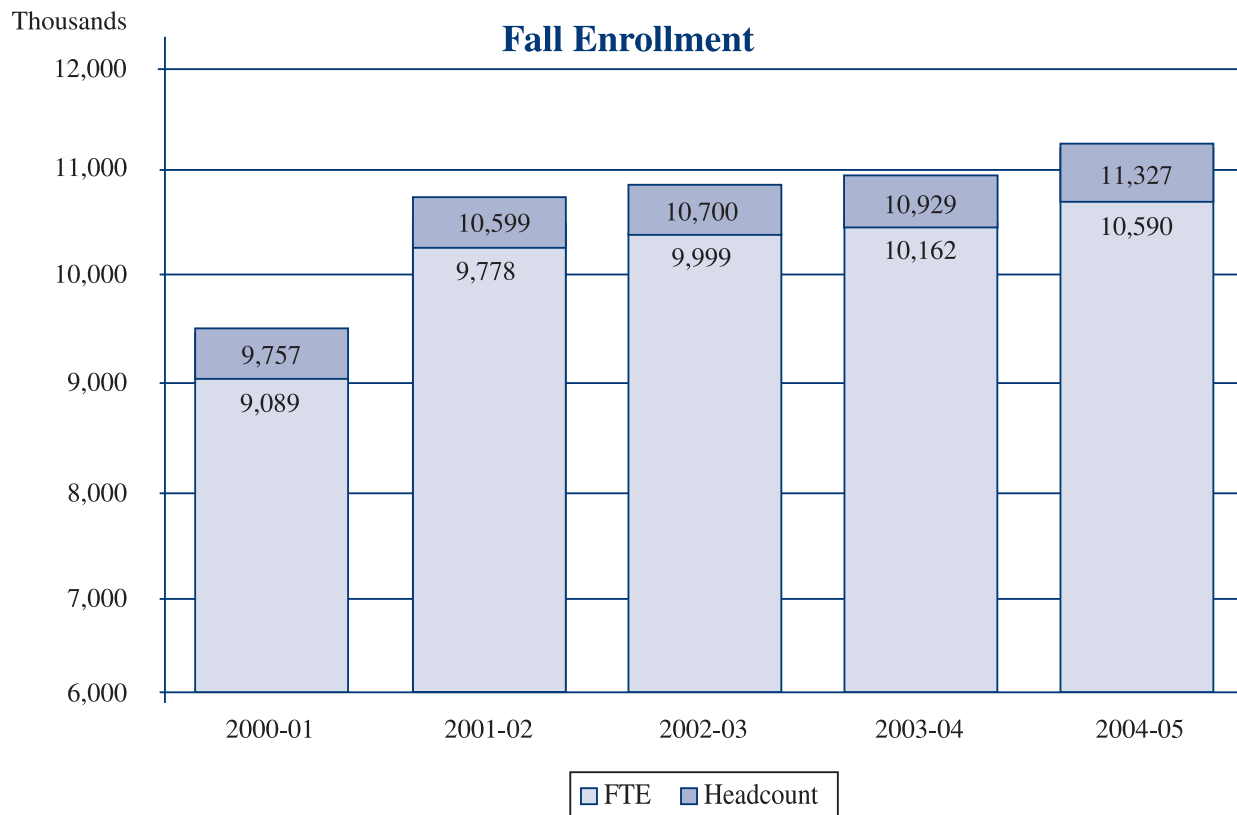
On a positive note, the University received \$2.0 million in recurring funds in support of the Marine Biotechnology program, \$876,700 in repair and renovation funding and \$500 thousand for planning and design of a facility for the University's School of Nursing.

Capital projects continued to move ahead. The University expended \$18.0 million in state bond referendum capital funds. This capital funding is part of the bonds that were approved in 2000. The University is earmarked to receive a total of \$109.2 million for capital projects under the statewide bond program. Funds received this year were used to complete construction on a new building for the Watson School of Education, the addition to Hoggard Hall (information technology), and the renovation to Westside Hall (student health), and the completion of the Infrastructure Expansion Projects. Funds were also used to pay for initial design costs related to the Academic Classroom and General Classroom Buildings. The pace of construction on campus continues to grow

Bonds payable had a refunding of the Recreation Bonds and a series of the Dorm and Dining Hall bonds which were replaced by the issuance of Series 2005A general revenue bonds. This refunding will reduce future interest cost for the University.

The University's endowment received gifts of \$1.4 million last fiscal year. The total return for the same period was 13.6%. The endowment closed the year with a record market value of \$33.5 million.

The University is still experiencing strong enrollment growth as illustrated by the graph below, depicting enrollment growth over the last five years. In the fall of 2004 the headcount was 11,327 and the full time equivalence of 10,590.



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## Statement of Net Assets

The Statement of Net Assets presents the assets (current and non current), liabilities (current and non current), and net assets (total assets minus total liabilities) of the University. This statement provides a fiscal snapshot of the University's financial position as of June 30, 2005. The data provides readers of this statement information on assets available to continue operations; amounts due vendors, investors, and lending institutions; and the net assets available for expenditure by the University.

### Condensed Statement of Net Assets June 30, as Indicated

	2005		2004	
	Amount	Percent	Amount	Percent
<b>Assets</b>				
Current assets	\$ 50,328,312	15.5%	\$ 48,573,340	16.8%
Noncurrent assets	274,170,033	84.5%	240,139,967	83.2%
<b>Total assets</b>	<b>324,498,345</b>	<b>100.0%</b>	<b>288,713,307</b>	<b>100.0%</b>
<b>Liabilities</b>				
Current liabilities	17,512,647	18.4%	15,271,175	15.9%
Noncurrent liabilities	77,557,940	81.6%	80,769,318	84.1%
<b>Total liabilities</b>	<b>95,070,587</b>	<b>100.0%</b>	<b>96,040,493</b>	<b>100.0%</b>
<b>Net assets</b>				
Invested in capital asset	148,468,713	64.7%	124,446,817	64.6%
Restricted nonexpendable	26,948,561	11.7%	22,845,232	11.9%
Restricted expendable	27,652,187	12.1%	23,017,848	11.9%
Unrestricted	26,358,297	11.5%	22,362,915	11.6%
<b>Total net assets</b>	<b>\$ 229,427,758</b>	<b>100.0%</b>	<b>\$ 192,672,812</b>	<b>100.0%</b>

\* Net asset categories are defined in Note 1, Subsection L of the Footnotes to the financial statements

On June 30, 2005 total University assets were \$324.5 million. The largest asset categories include the University's investment in capital assets (\$191.2 million), cash and cash equivalents (\$75.3 million) and the endowment (\$33.5 million).

University liabilities totaled \$95.0 million on June 30, 2005. Long term debt of \$67.5 million, consisting of bonds payable, notes payable, and capitalized lease obligations, is the largest liability category. Total liabilities decreased \$1.0 million from June 30, 2004 primarily due to the payment of bond principal.

## Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets section are based on the activity reported in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, as well as any other revenues, expenses, gains and losses received or expended by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided; i.e., state appropriations and investment income. Non-operating expenses include interest expense, extraordinary items, and accounting changes/corrections, i.e., expenses not involved in the normal operations of the University.

### Condensed Statement of Revenues, Expenditures and Changes in Net Assets

For Year Ended June 30, as Indicated

	2005		2004	
	Amount	Percent	Amount	Percent
<b>Operating Revenue</b>				
Tuition and fees (net)	\$ 53,331,801	51.7%	\$ 46,666,124	51.2%
Sales and service (net)	23,268,560	22.6%	21,091,762	23.1%
Grant and contracts	24,109,262	23.4%	20,907,343	22.9%
Other	2,455,530	2.4%	2,446,672	2.7%
<b>Total operating revenue</b>	<b>103,165,153</b>	<b>100.0%</b>	<b>91,111,901</b>	<b>100.0%</b>
<b>Operating Expenses</b>				
Salaries and benefits	99,827,915	60.9%	94,957,908	62.5%
Supplies and materials	4,088,737	2.5%	3,376,723	2.2%
Services	41,732,749	25.5%	37,465,672	24.7%
Scholarships	6,807,419	4.2%	5,598,657	3.7%
Utilities	5,572,359	3.4%	5,157,856	3.4%
Depreciation	5,817,035	3.6%	5,315,764	3.5%
<b>Total operating expense</b>	<b>163,846,214</b>	<b>100.0%</b>	<b>151,872,580</b>	<b>100.0%</b>
<b>Operating income (loss)</b>	<b>(60,681,061)</b>		<b>(60,760,679)</b>	
<b>Non-operation revenues (expenses)</b>				
State appropriation	64,581,662	66.3%	57,941,784	67.8%
Capital gifts and grants	26,005,129	26.7%	18,431,104	21.6%
Non-capital gifts and grants	4,784,915	4.9%	5,554,002	6.5%
Other	2,064,300	2.1%	3,546,539	4.1%
<b>Total non-operating revenues</b>	<b>97,436,006</b>	<b>100.0%</b>	<b>85,473,429</b>	<b>100.0%</b>
<b>Increase in net assets</b>	<b>36,754,945</b>		<b>24,712,750</b>	
<b>Net assets beginning of year</b>	<b>192,672,813</b>		<b>167,960,063</b>	
<b>Net assets end of year</b>	<b>\$ 229,427,758</b>		<b>\$ 192,672,813</b>	

Student tuition and fees (\$53.3 million) and sales and services from auxiliary enterprises (\$23.3million) account for 78% of the University's operating revenue. Per GASB #35, state appropriations must be reported as non-operating revenue even though this revenue source covers operating expenses. The University's financial statements will show an operating loss in future years because of this required change in reporting revenue sources.

The major operating expense categories include salary and benefit payments to faculty and staff (\$99.8 million) and payments to vendors and suppliers for services and goods (\$41.7 million).

### Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. The Statement of Cash Flows also helps users assess the University's:

- \* ability to generate future net cash flows,
- \* ability to meet its obligations as they come due, and
- \* need for external financing.

### Condensed Statement of Cash Flows For Year Ended June 30, as Indicated

	<b>2005</b>	<b>2004</b>
	<u>Amount</u>	<u>Amount</u>
<b>Cash provided by:</b>		
<b>Operating activities</b>	\$ (56,034,615)	\$ (52,539,729)
<b>Non-capital financing activities</b>	69,964,747	62,272,937
<b>Capital financing activities</b>	(16,361,115)	(14,824,840)
<b>Investing activities</b>	<u>725,559</u>	<u>4,179,133</u>
<b>Net change in cash</b>	<u>(1,705,424)</u>	<u>(912,499)</u>
<b>Cash beginning of year</b>	<u>77,046,759</u>	<u>77,959,258</u>
<b>Cash ending of year</b>	<u>\$ 75,341,335</u>	<u>\$ 77,046,759</u>

Major sources of funds included in operating activities are student tuition and fees (\$53.1 million), auxiliary enterprises (\$21.2 million), and contracts and grants (\$23.1 million).

Major uses of funds in operating activities are compensation to employees (\$100.0 million) and payments to suppliers for goods and services (\$48.9 million).

The largest inflow of cash in the non-capital financing activities is the State of North Carolina appropriation of \$64.5 million. The new accounting standards require the University to reflect this source of revenue as non-operating even though the University's budget depends on these funds to continue the current level of operations. Other non-capital financing activity includes gifts received (\$2.9 million).

Cash provided by capital financing activities during fiscal year 2005 includes proceeds for a bond issue of \$13.2 million. The bond was a refunding bond used to retire older, more expensive bonds. Cash used in capital financing activities during fiscal year 2005 was primarily for the acquisition of capital assets (\$29.8 million) and the repayment of debt (\$16.9 million).

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## Capital Asset and Debt Administration

### Capital Assets

The University had \$191.2 million invested in capital assets at year end.

#### Capital Assets June 30, as Indicated (Net of Depreciation)

	2005	2004
Land	\$ 4,990,910	\$ 4,574,910
Art, literature and artifacts	1,099,628	1,010,132
Construction in progress	25,800,182	29,270,157
Building	138,317,680	111,276,226
Machinery and equipment	7,935,227	7,568,526
Infrastructure	13,080,608	11,093,817
<b>Total capital assets</b>	<b>\$ 191,224,235</b>	<b>\$ 164,793,768</b>

Capital project scheduled for completion in 2005-2006 is the student apartments. We are also constructing an addition to the Union and new cultural arts building both schedule for completion in 2006-2007

More detailed information on the University's capital assets is presented in note 5 to the financial statements.

### Debt

The University has \$67.5 million in outstanding bonds, notes and capital leases on June 30, 2005, of which \$67.3 million is for outstanding bonds. New debt includes the issuance of bonds of \$12.6 million for the partial defeasance of Series J Dorm and Dining Hall and complete defeasance of the Recreation bonds. This refunding will result in reduction of interest expense for the University due to the lower interest rates on the newly issued bonds. There have been no other significant changes in credit ratings or debt limitations that would affect future financing for the University.

More detailed information on the University's long-term obligations is presented in note 7 to the financial statements.

### Economic Forecast

Despite reductions to state appropriations support, management believes that the University is well positioned to continue its strong financial condition and level of excellence in service to students, the community, and other constituencies. The University's strong financial position should provide a high degree of flexibility in obtaining debt funds on competitive terms. This flexibility, along with the University's ongoing efforts toward revenue diversification and cost containment, will enable the University to provide the necessary resources to support a continued level of excellence well into the future.

A crucial element to the University's future will continue to be our relationship with the State of North Carolina and its ability to fund higher education. There is a direct relationship between the growth of state support and the University's ability to control increases in tuition rates. Decreased state support generally results in increased tuition levels.

The University will continue to execute its long-range plan to modernize and expand teaching and research facilities to address the issues of growth and the continuing effects of technology on teaching and research methodologies.

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Private gifts are an important supplement to the fundamental support from the State and student tuition. Gifts are also a significant factor in the growth and quality of academic units. Economic pressures affecting donors may also affect the future level of support the University receives from corporate and individual giving.

The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility.

While it is not possible to predict the ultimate results, management believes that the University's financial condition is strong enough to weather any foreseeable economic uncertainties.

**Contacting the University's financial management**

This financial report is designed to provide our students, citizens, investors and creditors with a general overview of the University's finances and demonstrate accountability of all funds received. Questions or additional financial information may be obtained by contacting University Financial Services at 910-962-3144.

# Statement of Net Assets

June 30, 2005

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## ASSETS

### Current Assets:

Cash and Cash Equivalents	\$ 37,341,544.10
Restricted Cash and Cash Equivalents	7,084,658.38
Receivables, Net (Note 4)	4,579,974.98
Inventories	312,536.86
Notes Receivable, Net (Note 4)	<u>1,009,597.80</u>

Total Current Assets 50,328,312.12

### Noncurrent Assets:

Restricted Cash and Cash Equivalents	30,915,133.04
Receivables, Net (Note 4)	3,337.95
Restricted Due from Primary Government	9,829,313.46
Endowment Investments	30,871,977.23
Other Long-Term Investments	7,053,940.33
Notes Receivable, Net (Note 4)	3,886,415.37
Deferred Charges	385,680.48
Capital Assets - Nondepreciable (Note 5)	31,890,719.35
Capital Assets - Depreciable, Net (Note 5)	<u>159,333,515.33</u>

Total Noncurrent Assets 274,170,032.54

Total Assets 324,498,344.66

# Statement of Net Assets

June 30, 2005

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## LIABILITIES

### Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	8,756,105.89
Due to Primary Government	22,571.74
Deferred Revenue	4,585,696.61
Long-Term Liabilities - Current Portion (Note 7)	4,148,272.76

Total Current Liabilities	<u>17,512,647.00</u>
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### Noncurrent Liabilities:

Funds Held for Others	3,935,072.98
U. S. Government Grants Refundable	4,445,028.70
Long-Term Liabilities (Note 7)	69,097,638.34
Other Payables	80,200.04

Total Noncurrent Liabilities	<u>77,557,940.06</u>
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Total Liabilities	<u>95,070,587.06</u>
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## NET ASSETS

### Net Assets Summary Account

Invested in Capital Assets, Net of Related Debt	148,468,712.58
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### Restricted for:

#### Nonexpendable:

Scholarships and Fellowships	13,711,175.60
Research	978,230.12
Endowed Professorships	5,771,388.29
Departmental Uses	5,393,582.14
Loans	1,094,184.50

#### Expendable:

Scholarships and Fellowships	3,089,596.46
Research	2,105,333.35
Endowed Professorships	331,670.52
Departmental Uses	6,400,263.78
Capital Projects	9,371,027.90
Loans	231,839.59
Debt Service	6,122,455.45

Unrestricted	<u>26,358,297.32</u>
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Total Net Assets	<u>\$ 229,427,757.60</u>
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The accompanying notes to the financial statements are an integral part of this statement.

# Statement of Revenues, Expenses, and Changes in Net Assets

For the Fiscal Year Ended June 30, 2005

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## REVENUES

### Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 53,331,801.06
Federal Grants and Contracts	20,166,335.81
State and Local Grants and Contracts	2,409,695.49
Nongovernmental Grants and Contracts	1,533,231.02
Sales and Services, Net (Note 9)	23,268,560.34
Other Operating Revenues	2,455,529.32

Total Operating Revenues 103,165,153.04

## EXPENSES

### Operating Expenses:

Salaries and Benefits	99,827,914.80
Supplies and Materials	4,088,736.89
Services	41,732,748.55
Scholarships and Fellowships	6,807,418.77
Utilities	5,572,358.67
Depreciation	5,817,036.02

Total Operating Expenses 163,846,213.70

Operating Loss (60,681,060.66)

## NONOPERATING REVENUES (EXPENSES)

State Appropriations	64,581,662.30
Noncapital Grants	524,828.57
Noncapital Gifts, Net (Note 9)	2,809,651.42
Investment Income (Net of Investment Expense of \$60,330)	5,398,895.93
Interest and Fees on Debt	(2,914,350.35)
Other Nonoperating Revenues (Expenses)	(420,246.81)

Net Nonoperating Revenues 69,980,441.06

Income Before Other Revenues, Expenses, Gains, or Losses 9,299,380.40

Capital Appropriations	1,376,700.00
Capital Grants	24,203,117.00
Capital Gifts	425,312.00
Additions to Endowments	1,450,434.86

Increase (Decrease) in Net Assets 36,754,944.26

## NET ASSETS

Net Assets - July 1, 2004 192,672,813.34

Net Assets - June 30, 2005 \$ 229,427,757.60

The accompanying notes to the financial statements are an integral part of this statement.

# Statement of Cash Flows

For the Fiscal Year Ended June 30, 2005

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## CASH FLOWS FROM OPERATING ACTIVITIES

Student Tuition and Fees	\$ 53,089,191.20
Auxiliary Enterprise Charges	21,203,740.53
Contracts and Grants	23,046,313.80
Payments to Employees and Fringe Benefits	(100,034,679.76)
Payments to Vendors and Suppliers	(48,944,963.47)
Payments for Scholarships and Fellowships	(6,807,418.77)
Loans Issued	(1,148,557.00)
Collection of Loans	1,111,132.00
Interest Earned on Loans	12,525.01
Other Receipts (Payments)	2,438,101.59
	<hr/>
Net Cash Provided (Used) by Operating Activities	(56,034,614.87)

## CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	64,581,662.30
Noncapital Grants	533,335.15
Noncapital Gifts	2,959,192.30
Additions to Endowments	1,450,434.86
Related Activity Agency Transactions	440,122.82
	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	69,964,747.43

## CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	13,167,752.37
State Capital Appropriations	1,376,700.00
Capital Grants	18,961,257.46
Capital Gifts	9,312.00
Acquisition and Construction of Capital Assets	(29,812,366.20)
Principal Paid on Capital Debt and Leases	(16,923,274.63)
Interest and Fees Paid on Capital Debt and Leases	(3,154,536.16)
Other Receipts (Payments)	14,039.70
	<hr/>
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(16,361,115.46)

## CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	25,731,334.13
Purchase of Investments and Related Fees	(28,789,293.34)
Investment Income	3,783,518.30
	<hr/>
Net Cash Provided by Investing Activities	725,559.09

Net Increase (Decrease) in Cash and Cash Equivalents	(1,705,423.81)
Cash and Cash Equivalents - July 1, 2004	77,046,759.33
	<hr/>
Cash and Cash Equivalents - June 30, 2005	\$ 75,341,335.52

# Statement of Cash Flows

For the Fiscal Year Ended June 30, 2005

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## RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Loss	\$ (60,681,060.66)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	5,817,036.02
Federal Contract and Grant Revenue	135,810.16
Changes in Assets and Liabilities:	
Receivables (Net)	(964,621.79)
Inventories	99,275.95
Accounts Payable and Accrued Liabilities	83,076.80
Due to Primary Government	(11,382.49)
Deferred Revenue	(239,366.86)
Compensated Absences	(235,957.00)
Note Principal Repayments	1,111,132.00
Notes Issued	(1,148,557.00)
Net Cash Provided (Used) by Operating Activities	<u>\$ (56,034,614.87)</u>

## RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 37,341,544.10
Restricted Cash and Cash Equivalents	7,084,658.38
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>30,915,133.04</u>
Total Cash and Cash Equivalents - June 30, 2005	<u>\$ 75,341,335.52</u>

The accompanying notes to the financial statements are an integral part of this statement.

# Component Unit

## Statement of Financial Position

June 30, 2005

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	<b>UNCW Corporation</b> <b>Housing I</b>
<b>Assets:</b>	
Investments	\$ 26,988,256.22
Property and Equipment	<u>1,657,428.39</u>
Total Assets	<u>28,645,684.61</u>
<b>Liabilities and Net Assets:</b>	
Long term debt	<u>28,773,638.63</u>
Total Liabilities	<u>28,773,638.63</u>
<b>Net Assets:</b>	
Temporarily restricted	<u>(127,954.02)</u>
Total Net Assets	<u>(127,954.02)</u>
Total Liabilities and Net Assets	<u><u>\$ 28,645,684.61</u></u>

# Component Unit

## Statement of Activities and Changes in Net Asset

For the Fiscal Year Ended June 30, 2005

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	<u>UNCW Corporation Housing I</u>
Revenues:	
Investment income	\$ 34,022.66
Total Revenues	<u>34,022.66</u>
Expenses	
Contracted service	17,663.16
Interest expense	<u>144,313.52</u>
Total Expenses	<u>161,976.68</u>
Changes in net assets	(127,954.02)
Net assets - beginning of year	<u>-</u>
<b>NET ASSETS -END OF YEAR</b>	<u><u>\$ (127,954.02)</u></u>

# Notes to the Financial Statements

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## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

- A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. University of North Carolina Wilmington is a constituent institution of the 16-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. The blended component units, although legally separate, are, in substance, part of the University's operations and therefore, are reported as if they were part of the University. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

**Blended Component Units** - Although legally separate, The Donald R. Watson Foundation, Inc. (Foundation) is a component unit of the University, and is reported as if they were part of the University.

The Foundation is governed by a five-member board of which three are appointed by the Board of Trustees of the University of North Carolina Wilmington. Although legally separate, the Foundation is reported as if it were part of the University because its sole purpose is to operate exclusively to solicit and receive contributions and to distribute income and principal and to carry out the purposes of selected organizations including the University.

Separate financial statements for the Foundation may be obtained from the Financial Services Office, 601 South College Road, Wilmington, NC 28406-5952, or by calling 910-962-3144. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

**Discretely Presented Component Units - UNCW Corporation Housing I, LLC** is a legally separate not-for-profit corporation and is reported as discretely presented component unit based on the nature and significance of their relationship to the University.

The UNCW Corporation Housing I, LLC is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of six members. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

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The UNCW Corporation Housing I, LLC is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2005, the Foundation distributed \$0 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the University Financial Services Office at 910-962-3144.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the University's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, savings accounts, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Investments** - This classification includes long-term fixed income investments, repurchase agreements, equity investments, mutual funds, money market funds, certificates of deposit, limited partnerships, real estate investment trusts, real estate, and other asset holdings by the University. Except for money market funds, certificates of deposit, real estate not held by a governmental external investment pool, and other asset holdings, investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

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Money market funds, certificates of deposit, real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower cost or market value using the first-in, first-out method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The University capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for general infrastructure, 30 years for buildings, and 3 to 10 years for equipment.

The University does not capitalize the **Rare Book and the Museum of World Cultures collections**. This collection adheres to the University's policy to maintain for public exhibition, education or research; protect, keep unencumbered, care for and preserve; and requires proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

- I. Restricted Assets** - Unexpended proceeds of revenue bonds and unexpended capital contributions are classified as restricted assets because their use is limited by applicable bond covenants or donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of bonds payable, notes payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refunds. The University amortizes bond premium discount and issuance cost over the life of the bonds using the straight-line method.

- K. Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly to all full-time permanent employees as of September 30, 2002, and as of July 1, 2003. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

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When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

**L. Net Assets** - The University's net assets are classified as follows:

**Invested in Capital Assets, Net of Related Debt** - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

**Restricted Net Assets - Nonexpendable** - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

**Restricted Net Assets - Expendable** - Expendable restricted net assets include resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Assets** - Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

**M. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

**N. Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, State and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores, printing, garage and lease operations, postal services and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

## NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - The University is authorized by The University of North Carolina Board of Governors pursuant to G. S. 116-36.1, requires the University to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, with the State Treasurer. Although specifically exempted, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

Deposits include cash and cash equivalents and certificates of deposit totaling \$75,341,335. At year end the cash on hand was \$21,245. The University's portion of the State Treasurer's Investment Pool was \$73,932,945. It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for investments to be held by the State's agent in the State's name.

The carrying amount of the University's deposits not with the State Treasurer was \$1,504,454 and the bank balance was \$1,599,399. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2005, the University's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,399,399.16
Uninsured and collateral held by bank	
Uninsured and collateral held by pledging bank's trust department not in University's name	
Total	\$ 1,399,399.16

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; time deposits of specified institutions; prime quality commercial paper, and asset-backed securities with specified ratings. Also, G.S. 147-69.1(c) authorizes the following: specified bills of exchange or time drafts and corporate bonds and notes with specified

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ratings. G.S. 147-69.2 authorizes the following: general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

The financial statements and disclosures for the State Treasurer's Investment Pool are included in the *State of North Carolina's Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Investments** - The University is authorized by The University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina, to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as previously discussed.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component units, the Watson Foundation Inc., and the UNCW Corporation Housing I are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income. The University utilizes the following investment pools:

**Long-Term Investment Pool** - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unitized method. Under this method, each participating fund's investment balance is determined on the basis of the number of units purchased multiplied times the current unit market value. The investment strategy, including the selection of investment managers, is based on the directives of the University's Endowment Board.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2005, for the Long-Term Investment Pool. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The University's Endowment Board does not have a formal investment policy that addresses interest rate risk.

*Summary of the University's investments at June 30, 2005 is presented*

<b>Long Term Investment Pool</b>					
	Carrying Value	Investment Maturities (in Years)			More than 10
		Less Than 1	1 to 5	6 to 10	
Investment Type					
Debt Securities	\$	\$	\$	\$	\$
U.S. Treasuries	1,245,352.34	1,100,000.00	103,821.00	41,531.34	
U.S. Treasury Strips					
U.S. Agencies					
Mortgage Pass Throughs					
Coll. Mortgage Oblig					
State & Local Government					
Asset-backed Securities					
Repurchase Agreements	671,930.00		671,930.00		
Bankers' Acceptance					
Commercial Paper					
Annuity Contracts					
Mutual Bond Funds (1)	233,699.77		233,699.77		
Domestic Corporate Bonds	10,638.40		10,638.40		
Foreign Corporate Bonds					
Foreign Government Bonds					
State Treasurer's Short Term Inv. Fd.					
	<u>\$ 2,161,620.51</u>	<u>\$ 1,100,000.00</u>	<u>\$ 1,020,089.17</u>	<u>\$ 41,531.34</u>	<u>\$</u>
Other Securities					
Certificates of Deposit	117,308.93				
Investment Agreements					
Bank Investment Contracts					
Money Market Funds	2,776,195.48				
UNC Investment Fund	18,909,604.59				
Other Mutual Funds	12,632,509.13				
Investments in Real Estate	765.63				
Real Estate Investment Trust					
Limited Partnerships					
Pooled Investments					
Domestic Stocks	1,270,941.46				
Foreign Stocks					
Other (Life Insurance)	17,929.67				
Total Long-Term Investment Pool	<u>\$ 37,886,875.40</u>				

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note. In addition to the interest rate risk disclosed above, the Long-Term Investment Pool portfolio includes investments with fair values highly sensitive to interest rate changes.

*Credit Risk:* The University's Endowment Board does not have a formal policy that addresses credit risk. As of June 30, 2005, the investments in the Long-Term Investment Pool were rated as follows:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB Ba
U.S. Agencies						
Mortgage Pass Through Collateralized Mortgage Obligations						
State and Local Government Asset-backed Securities Repurchase Agreements Bankers' Acceptance Commercial Paper Annuity Contracts						
Mutual Bond Funds	233,699.77	118,018.38	32,250.57	47,908.45	35,288.67	233.70
Domestic Corporate Bonds	10,638.40			10,638.40		
Foreign Corporate Bonds						
Foreign Government Bond						

Rating Agency: S&P

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University Endowment Board does not have a formal policy for custodial credit risk. The University's investments in the Long-Term Investment Pool were exposed to custodial credit risk as follows:

Investment Type	Held by Counterparty	Held by Counterparty's Trust Dept or Agent not in University's Name
US Treasuries	\$ 1,245,352.34	\$
Repurchase Agreements	671,930.00	
Domestic Corporate Bonds	10,638.40	
Domestic Stocks	1,270,941.46	
Total	\$ 3,198,862.20	\$ 0.00

*Foreign Currency Risk:* Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in exchange rates will adversely affect the fair value of an investment. The University Endowment Board does not have a formal policy for foreign currency risk. The Long-Term Investment Pool's exposure to foreign currency risk is as follows:

The University Endowment Board's investment policy permits it to invest up to 15.3% in foreign currency - investment. The Long-Term Investment Pool's current position is 13.9%.

Investment	Currency	Fair Value (U.S. Dollars)
Vanguard Developed Markets Index Fund	Various	\$ 1,227,802.68
Vanguard Emerging Market Index Fund	Various	653,959.08
Total		\$ 1,881,761.76

**Non-Pooled Investments** - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2005, for the University's non-pooled investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The University does not have a formal investment policy that addresses interest rate risk.

### Non-Pooled Investments

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities	\$	\$	\$	\$	\$
U.S. Treasuries					
U.S. Treasury Strips					
U.S. Agencies					
Mortgage Pass Throughs					
Collateralized Mortgage Obligations					
State and Local Government					
Asset-backed Securities					
Repurchase Agreements					
Bankers' Acceptance					
Commercial Paper					
Annuity Contracts					
Mutual Bond Funds					
Domestic Corporate Bonds					
Foreign Corporate Bonds					
Foreign Government Bonds					
State Treasurer's Short Term Inv. Fd.					
	\$	\$	\$	\$	\$
Other Securities					
Certificates of Deposit					
Investment Agreements					
Bank Investment Contracts					
Money Market Funds					
UNC Investment Fund					
Other Mutual Funds					
Investments in Real Estate					
Real Estate Investment Trust					
Limited Partnerships					
Pooled Investments					
Domestic Stocks	39,042.16				
Foreign Stocks					
Other					
Total Long-Term Investment Pool	\$ 39,042.16				

In addition to the interest rate risk disclosed above, the University's investments include investments with fair values highly sensitive to interest rate changes.

### NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). When administering its power to spend net appreciation, the Board of Trustees is required to consider the University's long and short term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The Board of Trustees chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by the Board, 4.5 percent of the average market value of endowment investments at the end of the previous three years has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income. At June 30, 2005, net appreciation of \$9,659,059 was available to be spent, of which \$7,341,345 was restricted to specific purposes.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2005, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 498,759.52	\$ 49,873.42	\$ 448,886.10
Accounts	1,561,088.87		1,561,088.87
Intergovernmental	2,211,566.36		2,211,566.36
Pledges	44,435.24		44,435.24
Interest on Loans	253,730.76		253,730.76
Other	62,489.41	2,221.76	60,267.65
<b>Total Current Receivables</b>	<u>\$ 4,632,070.16</u>	<u>\$ 52,095.18</u>	<u>\$ 4,579,974.98</u>
<b>Noncurrent Receivables:</b>			
Pledges	<u>\$ 3,513.63</u>	<u>\$ 175.68</u>	<u>\$ 3,337.95</u>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Federal Loan Programs	\$ 1,004,088.03	\$ 100,333.22	\$ 903,754.81
Institutional Student Loan Programs	102,033.19		102,033.19
Other	3,809.80		3,809.80
<b>Total Notes Receivable - Current</b>	<u>\$ 1,109,931.02</u>	<u>\$ 100,333.22</u>	<u>\$ 1,009,597.80</u>
<b>Notes Receivable - Noncurrent:</b>			
Federal Loan Programs	\$ 4,278,216.48	\$ 427,821.65	\$ 3,850,394.83
Institutional Student Loan Programs	36,020.54		36,020.54
<b>Total Notes Receivable - Noncurrent</b>	<u>\$ 4,314,237.02</u>	<u>\$ 427,821.65</u>	<u>\$ 3,886,415.37</u>

## NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2005, is presented as follows:

	Balance July 1, 2004	Adjustments	Increases	Decreases	Balance June 30, 2005
Capital Assets, Nondepreciable:					
Land	\$ 4,574,910.23	\$	\$ 416,000.00	\$	\$ 4,990,910.23
Art, Literature, and Artifacts	1,010,131.80		89,495.78		1,099,627.58
Construction in Progress	29,270,156.61		28,636,961.86	(32,106,936.93)	25,800,181.54
<b>Total Cap.Assets, Nondepreciable</b>	<b>34,855,198.64</b>	<b>0.00</b>	<b>29,142,457.64</b>	<b>(32,106,936.93)</b>	<b>31,890,719.35</b>
Capital Assets, Depreciable:					
Buildings	159,946,744.10		29,611,756.50		189,558,500.60
Machinery and Equipment	22,115,851.81		3,702,838.50	(1,412,687.22)	24,406,003.09
General Infrastructure	18,253,783.16		2,340,180.43		20,593,963.59
Intangible					0.00
<b>Total Capital Assets, Depreciable</b>	<b>200,316,379.07</b>	<b>0.00</b>	<b>35,654,775.43</b>	<b>(1,412,687.22)</b>	<b>234,558,467.28</b>
Less Accumulated Depreciation/Amortization for:					
Buildings	48,670,518.43		3,540,196.67		52,210,715.10
Machinery and Equipment	14,547,326.28		1,923,449.93	(969,895.10)	15,500,881.11
General Infrastructure	7,159,966.32		353,389.42		7,513,355.74
Intangible					0.00
<b>Total Accumulated Depreciation</b>	<b>70,377,811.03</b>	<b>0.00</b>	<b>5,817,036.02</b>	<b>(969,895.10)</b>	<b>75,224,951.95</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>129,938,568.04</b>	<b>0.00</b>	<b>29,837,739.41</b>	<b>(442,792.12)</b>	<b>159,333,515.33</b>
<b>Capital Assets, Net</b>	<b>\$ 164,793,766.68</b>	<b>\$ 0.00</b>	<b>\$ 58,980,197.05</b>	<b>\$ (32,549,729.05)</b>	<b>\$ 191,224,234.68</b>

## NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2005, were as follows:

	<u>Amount</u>
Accounts Payable	\$ 7,026,880.97
Interest Payable	1,245,579.13
Accrued Payroll	479,062.09
Intergovernmental Payables	4,445,028.70
Other	<u>84,783.74</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ <u>13,281,334.63</u></b>

## NOTE 7 - LONG-TERM LIABILITIES

A. **Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2005, is presented as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Current Portion</u>
Bonds Payable	\$ 70,065,000.00	\$ 12,630,000.00	\$ (16,040,000.00)	\$ 66,655,000.00	\$ 3,840,000.00
Add/Deduct Premium/Discount	868,105.18	537,752.37	(57,051.75)	1,348,805.80	
Deduct Deferred Charges		(723,881.58)	48,258.77	(675,622.81)	
<b>Total Bonds Payable</b>	<u>70,933,105.18</u>	<u>12,443,870.79</u>	<u>(16,048,792.98)</u>	<u>67,328,182.99</u>	<u>3,840,000.00</u>
Notes Payable	124,473.67		(45,263.16)	79,210.51	45,263.16
Capital Leases Payable	180,873.51		(105,336.91)	75,536.60	75,536.60
Compensated Absences	<u>5,998,938.00</u>	<u>622,854.00</u>	<u>(858,811.00)</u>	<u>5,762,981.00</u>	<u>187,473.00</u>
<b>Total Long-Term Liabilities</b>	<b>\$ <u>77,237,390.36</u></b>	<b>\$ <u>13,066,724.79</u></b>	<b>\$ <u>(17,058,204.05)</u></b>	<b>\$ <u>73,245,911.10</u></b>	<b>\$ <u>4,148,272.76</u></b>

Additional information regarding capital lease obligations is included in Note 8.

**B. Bonds Payable** - The University was indebted for bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 06/30/2005	Principal Outstanding 06/30/2005
<u>Dorm and Dining Hall</u>						
Construction Dorm	B	7.5-8.0	01/09	\$ 1,400,000.00	\$ 985,000.00	\$ 415,000.00
Construction Honors Dorm	J	4.6-5.4	01/18	6,440,000.00	5,890,000.00	550,000.00
Total DDH Bonds				7,840,000.00	6,875,000.00	965,000.00
Construct Trask Coliseum	B	3.3-5.5	01/10	1,140,000.00	680,000.00	460,000.00
Union Refund 1990	1997	4.8-5.0	01/11	4,300,000.00	1,780,000.00	2,520,000.00
Construct Recreation	1998	4.5-4.75	01/19	10,300,000.00	10,300,000.00	0.00
<u>General Revenue</u>						
Construct Dorm	2002A	3.0-5.0	01/23	11,500,000.00	790,000.00	10,710,000.00
Westside, Parking, Apartments	2002B	4.0-5.0	04/22	6,735,000.00	625,000.00	6,110,000.00
Union Construction	2003A	2.5-4.6	07/28	30,000,000.00	780,000.00	29,220,000.00
Refund DDH Series I	2003B	2.0-5.0	04/09	5,100,000.00	1,060,000.00	4,040,000.00
Refund DDH J & Renovation	2005A	4.0-5.2	4/19	12,630,000.00	0.00	12,630,000.00
Revenue Bonds				65,965,000.00	3,255,000.00	62,710,000.00
Bond Premium						1,348,805.78
Bond Deferred Loss						(675,622.79)
Total Bonds Payable				\$ 89,545,000.00	\$ 22,890,000.00	\$ 67,328,182.99

On April 14, 2005 the University issued \$12,630,000 in General Revenue Bond Series 2005A with an average interest rate of 4.6%. The refunding component of this bond issue was used to advance refund (defease) \$12,630,000 of outstanding DDH Series I and the Recreation Bonds 1998, with a combined average interest rate of 4.9%. Net proceeds of \$13,118,881.58 resulted from the bond sale, and was used to purchase U.S. Government securities.

The purchased securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. For financial reporting purposes, the trust account assets and the liability for the defeased bonds are not included in the balance sheet. The University reduced its debt service requirements by \$240,622.50 over the next 14 years and obtained an economic gain of \$320,224.56.

At June 30, 2005, the outstanding balance was \$550,000 for the defeased Dorm and Dining Hall Series J and a zero balance in the Recreation Bonds.

**C. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2005, are as follows:

Fiscal Year	Annual Requirements			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2006	\$ 3,840,000.00	\$ 2,989,540.01	\$ 45,263.16	\$ 3,254.99
2007	4,050,000.00	2,880,910.01	33,947.35	887.72
2008	3,935,000.00	2,740,307.51		
2009	3,970,000.00	2,605,332.52		
2010	3,120,000.00	2,429,332.51		
2011-2015	14,910,000.00	10,227,743.78		
2016-2020	15,800,000.00	6,404,668.75		
2021-2025	11,250,000.00	2,804,612.51		
2026-2030	5,780,000.00	545,287.52		
Total Requirements	\$ 66,655,000.00	\$ 33,627,735.12	\$ 79,210.51	\$ 4,142.71

**D. Notes Payable** - The University was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 06/30/2005	Principal Outstanding 06/30/2005
Parking Lot Construction	BB&T	5.23	02/01/2007	\$ 430,000.00	\$ 350,789.49	\$ 79,210.51
Total Notes Payable				\$ 430,000.00	\$ 350,789.49	\$ 79,210.51

## NOTE 8 - LEASE OBLIGATIONS

**Capital Lease Obligations** - Capital lease obligations relating to Athletic Field Lighting equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2005:

Fiscal Year	Amount
2006	\$ 77,996.95
Total Minimum Lease Payments	77,996.95
Amount Representing Interest (8.72% Rate of Interest)	(2,460.05)
Present Value of Future Lease Payments	\$ 75,536.90

Machinery and equipment acquired under capital lease amounted to \$125,260 at June 30, 2005.

- B. Operating Lease Obligations** - The University entered into operating leases for office space. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2005:

Rental expense for all operating leases during the year was \$501,406

## NOTE 9 - REVENUES

A summary of eliminations and allowances by revenue classification and revenues pledged as security for revenue bonds is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues	Revenues Pledges as Security for Debt
<b>Operating Revenues:</b>						
<b>Student Tuition and Fees</b>	\$ 56,552,135.67	\$ _____	\$ 3,219,728.82	\$ 605.79	\$ 53,331,801.06	_____
<b>Sales and Services:</b>						
Sales and Services of Auxiliarily Enterprises						
Residential Life	\$ 9,310,754.90	\$ _____	\$ _____	\$ 5,584.46	\$ 9,305,170.44	\$ 9,305,170.44 A
Dining	8,254,407.41			5,272.56	8,249,134.85	8,249,134.85 A
Parking	1,537,787.70			328.24	1,537,459.46	
Athletic	1,105,669.14			3,752.03	1,101,917.11	1,101,917.11 B
Other	7,788,775.81	6,800,176.54		8,774.60	979,824.67	
Sales and Services of Education	2,095,053.81				2,095,053.81	
<b>Total Sales and Services</b>	\$ 30,092,448.77	\$ 6,800,176.54	\$ 0.00	\$ 23,711.89	\$ 23,268,560.34	\$ 18,656,222.40
<b>Nonoperating - Noncapital Gifts</b>	\$ 2,812,048.86	\$ _____	\$ _____	\$ 2,397.44	\$ 2,809,651.42	_____
<b>Capital Gifts</b>	\$ 425,312.00	\$ _____	\$ _____	\$ _____	\$ 425,312.00	_____

Revenues bonds secured by pledged revenues

A Dorm and Dining System

B PE Facilities

## NOTE 10 - OPERATING EXPENSES BY FUNCTION

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 50,814,158.27	\$ 987,150.65	\$ 6,181,394.40	\$ 137,209.73	\$	\$	\$ 58,119,913.05
Public Service	1,638,495.20	93,660.21	843,600.13	49,629.00	3,016.42		2,628,400.96
Organized Research	7,884,912.48	1,163,987.45	4,815,265.04	62,985.04	18,904.64		13,946,054.65
Libraries	1,866,001.09	72,844.39	2,459,321.62				4,398,167.10
Academic Support	4,669,933.97	250,851.31	1,825,049.18				6,745,834.46
Student Services	4,197,578.49	257,725.59	1,707,427.88				6,162,731.96
Inst Support	11,551,463.52	214,169.50	3,077,089.95				14,842,722.97
Physical Plant	9,034,414.53	1,046,435.57	11,357,102.31	2,250.50	4,223,227.59		25,663,430.50
Aux Enterprises	8,170,957.25	1,865.84	9,466,498.04		1,327,210.02		18,966,531.15
Financial Aid		46.38		6,555,344.50			6,555,390.88
No Function							
Depreciation						5,817,036.02	5,817,036.02
Total Operating Expenses	<u>\$ 99,827,914.80</u>	<u>\$ 4,088,736.89</u>	<u>\$ 41,732,748.55</u>	<u>\$ 6,807,418.77</u>	<u>\$ 5,572,358.67</u>	<u>\$ 5,817,036.02</u>	<u>\$ 163,846,213.70</u>

## NOTE 11 - PENSION PLANS

- A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Eligible employees can elect to participate in the Optional Retirement Program at the time of employment, otherwise they are automatically enrolled in the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System is a cost sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2005, these rates were set at 2.17% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2005, the University had a total payroll of \$84,948,252, of which \$41,390,259 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$2,483,415 and \$898,169 respectively. No employer contributions were required. The University made 100% of its annual required contributions for the years ended June 30, 2005, 2004, and 2003, which were \$0, \$0, and \$0, respectively.

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The Teachers' and State Employees' Retirement System's financial information is included in the *State of North Carolina's Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the Teachers' and State Employees' Retirement System. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products. The Board has authorized the following carriers: Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance Company, Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participants may elect to allocate their contributions and the University contributions to the carrier of their choice. Each carrier offers a variety of investment funds, including both fixed and variable account investment options and mutual funds.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2005, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the year ended June 30, 2005, the University had a total payroll of \$84,948,252, of which \$31,941,881 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$) 1,916,512 and \$) 2,184,824, respectively.

#### **B. Deferred Compensation and Supplemental Retirement Income**

Plans - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, the *North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$284,313 for the year ended June 30, 2005.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers,

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which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2005, were \$51,661. The voluntary contributions by employees amounted to \$529,967 for the year ended June 30, 2005.

IRC Section 403(b) and 403(b)(7) Plans - Eligible University employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$1,344,867 for the year ended June 30, 2005.

## **NOTE 12 - OTHER POST EMPLOYMENT BENEFITS**

- A. Health Care for Long-Term Disability Beneficiaries and Retirees** - The University participates in State-administered programs that provide post employment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. These benefits were established by Chapter 135, Article 3,

Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The University contributed 3.2% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program for these health care benefits. For the fiscal year ended June 30, 2005, the University's total contribution to the Plan was \$2,346,628. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's Comprehensive Annual Financial Report.

- B. Long-Term Disability** - The University participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The University contributes .445% of covered payroll under the Teachers and State Employees Retirement System and the Optional Retirement Program to the DIPNC. For the year ended June 30, 2005, the University's total contribution to the DIPNC was \$326,328. The University assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the *State of North Carolina's Comprehensive Annual Financial Report*.

## **NOTE 13 - RISK MANAGEMENT**

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

The University is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$500 per occurrence deductible. The University also purchased through the Fund extended coverage for buildings and contents. All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limit for losses is \$500,000 per claim and \$5,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence with a \$50,000 deductible and a 10% participation in each loss above the deductible.

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance.

University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan has contracted with third parties to process claims.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University is self-insured for workers' compensation.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. There were no employer contributions required for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

## **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$58,434,266 and on other purchases were \$3,956,760 at June 30, 2005.
- B. University Improvement General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$2.5 billion of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the University of North Carolina. The funds authorized are to be used solely for capital facilities cost on the University of North Carolina campuses as specified in the legislation. The bond legislation specifies the amount of bond funding for each University campus and the level of bond funding intended for each project. The bonds are authorized to be issued over a six-year

period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The University of North Carolina - General Administration (UNC-GA), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, UNC-GA notifies the Office of State Budget and Management (OSBM) of the amounts not to exceed for each approved project. Within these amounts, based on an official request of cash needs from the University, OSBM authorizes allotments. The University records the allotments as revenue on the accompanying financial statement. The University's remaining authorization of \$52,624,762 is contingent on future bond sales and OSBM allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

- C. **Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end is as follows

Purpose	Amount
Endowment Pledges	\$ 110,892

## NOTE 15 - FOUNDATIONS

There are three separately incorporated nonprofit foundations associated with the University. These foundations are The Foundation of the University of North Carolina Wilmington, Inc., The University of North Carolina Wilmington Alumni Association, Inc., and the University of North Carolina Wilmington Student Aid Association, Inc. There is one separately incorporated non-profit corporation with the University. It is the UNCW Corporation, Inc.

These organizations serve as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University's overall academic environment. The University's financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the University. This support approximated \$1,035,793 for the year ended June 30, 2005.

## NOTE 16 - CHANGE IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2005, the University implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement establishes and modifies disclosure requirements related to investment risks: credit risk, interest rate risk, and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk.

The University of North Carolina Wilmington is committed to and will provide equal educational and employment opportunity for all persons regardless of race, sex, age, color, gender, national origin, ethnicity, creed, religion, disability, sexual orientation, political affiliation, marital status, veteran status or relationship to other university constituents – except where sex, age or ability represent bona fide educational or occupational qualifications or where marital status is a statutorily established eligibility criterion for state-funded employee benefit programs. Questions regarding program access may be directed to the Compliance Officer, UNCW Chancellor's Office, 910.962.3000, Fax 910.962.3483.

# The Board of Trustees and University Officers June 30, 2005

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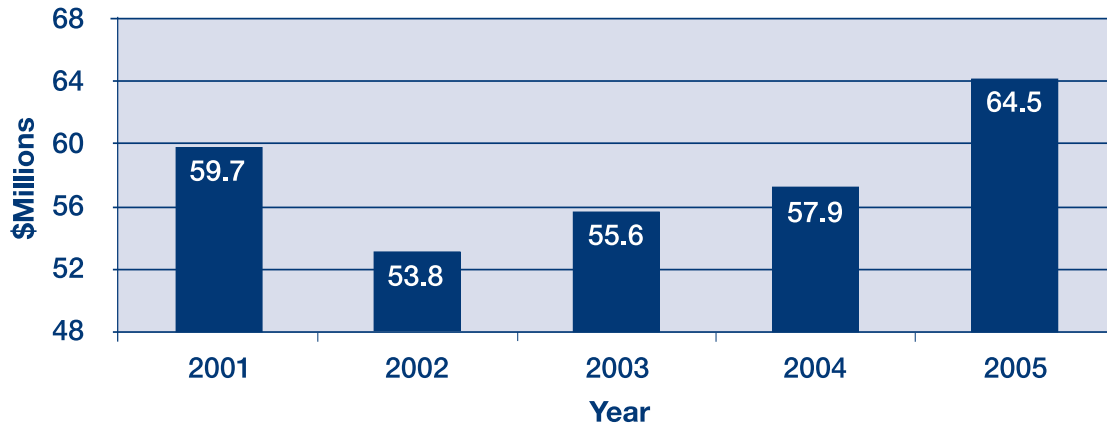
Cathy L. Barlow  
*Dean, Watson School of Education*

Robert D. Roer  
*Dean, Graduate School*

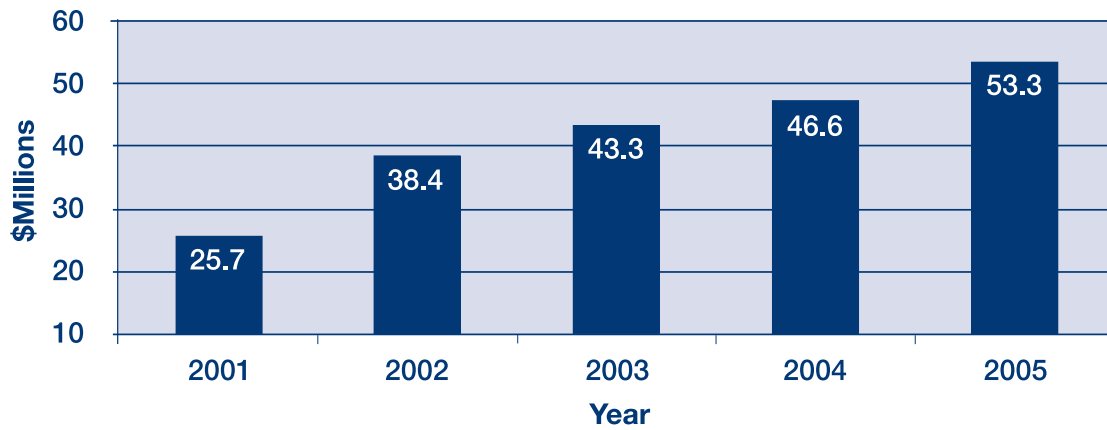
# Statistical Section

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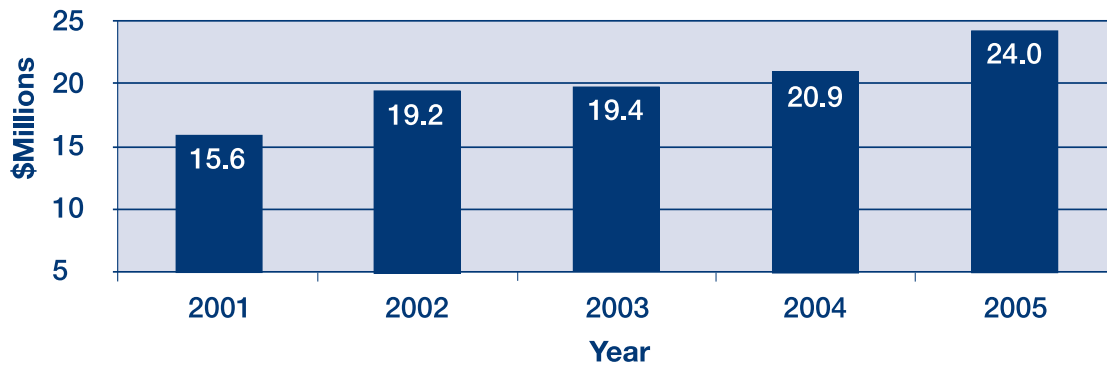
### State Appropriations



### Tuition & Fees

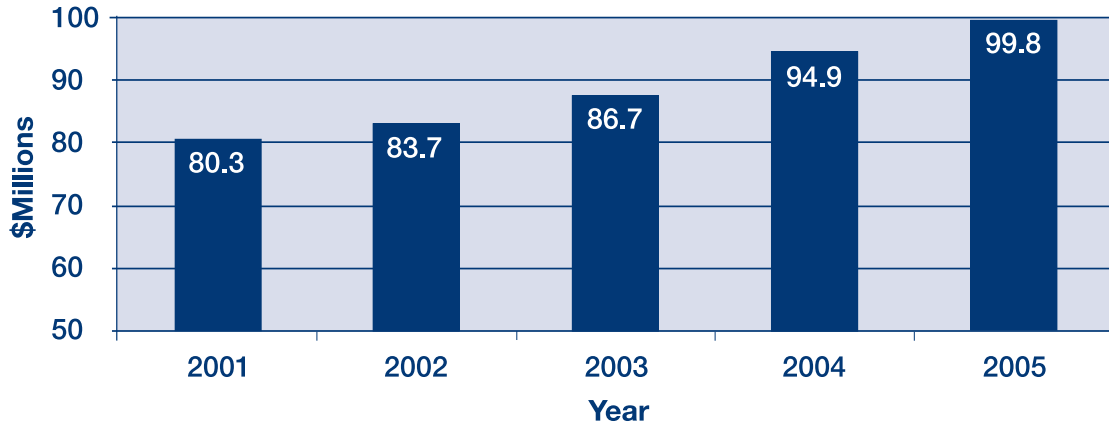


### Contracts & Grants

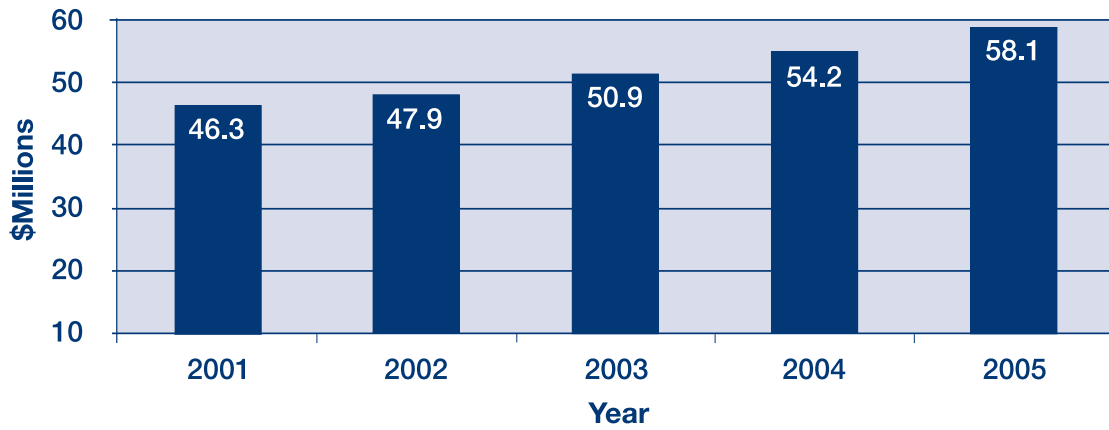


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### Salaries and Benefits



### Instruction



### Scholarship

